



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

January 29, 2009

The Honorable Michelle McManus, Chair
Senate Appropriations Subcommittee on
Natural Resources
S-2 Capitol Building
P.O. Box 30036
Lansing, Michigan 48909-7536

Chair
House Appropriations Subcommittee on
Natural Resources
House Office Building
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator McManus and House Subcommittee Chair:

Pursuant to Section 220, PA 252 of 2008, attached is a summary of the Department of Natural Resources' (DNR) cost allocation plan for restricted funds. Due to the size of the cost allocation plan, only the summary is being forwarded. The remaining portion is available for review in the DNR's Financial Services office.

If you have questions, please contact me at 517-335-3276.

Sincerely,

Sharon M. Schafer, Chief
Budget and Support Services
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members
House Appropriations Subcommittee Members
Ms. Jessica Runnels, Senate Fiscal Agency
Dr. Kirk Lindquist, House Fiscal Agency
Mr. Robert Emerson, State Budget Director, DMB
Mr. Jacques McNeely, DMB
Ms. Jennifer Harrison, DMB
Director Rebecca A. Humphries, DNR
Ms. Mindy Koch, Resource Management Deputy, DNR
Mr. Rodney Stokes, Chief of Staff, DNR
Mr. Daniel Eichinger, Legislative Liaison, DNR
Mr. Joseph Frick, DNR
Mr. Jason Crandall, DNR

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Michigan Department of Natural Resources Cost Allocation Project for Administrative Funding Sources FY 2007

Introduction

MAXIMUS is pleased to present the results of the Cost Allocation Project for the Michigan Department of Natural Resources (DNR). The DNR has many state restricted funding sources that fund the administrative divisions of the Department. The purpose of this project was to prepare a cost allocation plan to determine a reasonable and defensible distribution of funding within each administrative appropriation. The plan is based on actual information for the year ended September 30, 2007, and includes an analysis of the following DNR appropriations:

- 1001 – Executive Direction
- 1092 – Commission
- 1093 – Unclassified Salaries
- 2020 – Office of Land and Facilities
- 1105 – Internal Audit
- 1106 – Budget and Support Services
- 1107 – Office of Financial Services
- 1108 – Grants Management
- 1126 – Human Resources
- 1128 – Human Resources Optimization
- 1345 – Building Occupancy Charges
- 1346 – Rent - Privately Owned Property
- 8914 – Information Technology Services and Projects

Methodology

The project has been completed in two phases. Phase I allocates administrative costs to the divisional level. Phase II reallocates the divisional costs to individual funding sources according to the ratio of funding provided for each division.

Phase I – Phase I of the project is included as Attachment A. This cost plan is divided into thirteen sections, corresponding to the administrative appropriations that have been identified on the previous page. Each section of the cost plan includes; a narrative description of the utilized allocation procedures, a schedule of costs by function or activity, and a schedule detailing the allocation of costs for each function. The overall objective was to group costs into functional areas, which represent an activity or service provided; and to subsequently allocate the activity to benefited programs using an allocation base that best represents benefit derived. Schedule A from Phase I contains a summary of costs allocated from each central service section to the individual divisions of the DNR.

Phase II – Phase II of the project is included as Attachment B. The Phase II cost plan reallocates the costs allocated to each division from each administrative appropriation in Phase I to the cost objective, or the various funding sources of the DNR. Costs allocated to each division in Phase I have been reallocated according to the ratio of actual funded expenditures for that division. In some instances, costs in Phase I may have been allocated directly to a specific funding source, e.g. MNRTF. In such cases, Phase II simply reallocates those costs directly to the same funding source.

Due to the volume of detail in the Phase II plan, only the summary portion of the plan is included. The final results are summarized on Schedule A of the plan. Also, a detailed listing of the allocation bases used to redistribute the Phase I allocations for the first plan section, Appropriation 1001 - Executive Direction, have been included. The exact same allocation bases utilized for the Executive Direction section of Phase II were used to allocate the costs of all other Phase II administrative appropriations.

Summary of Results

The following exhibits contain a financial reconciliation and a summary of the final distribution of costs by funding source for the administrative appropriations included in this cost allocation project:

- Exhibit I represents a reconciliation of costs, by administrative appropriation, allocated in the cost plan. Costs are based upon appropriation year expenditures identified in the DAFR 7480 report.
- Exhibit II summarizes the allocated funding results for each of the administrative appropriations.

Special Projects – In some instances costs directly associated with projects with discrete funding sources were allocated to the Special Projects cost pool. This cost pool is separately identified on Exhibit II, and the identified costs have not been allocated to any specific funding sources. In order to determine total allocated costs associated with each funding source, the funding for Special Projects needs to be determined and added to the fund totals on Exhibit II. A summary of the Special Projects for fiscal year 2007 is as follows:

Summary of Special Projects

Appropriation	Project	Amount
1001	University Project (Charles Nelson)	\$ 118.74
1001	University Project – Alltel (Charles Nelson)	\$ 988.69
1092	Game and Fish Work Group (Aobj 4815)	\$ 1,962.47
1092	Game and Fish Work Group (Aobj 4840)	\$ 48.96
1092	Game and Fish Work Group (Aobj 4850)	\$ 130.00
1092	Game and Fish Work Group (Aobj 6160)	\$ 1,112.67
1106	Abandoned Mines	\$ 2,134.79
1107	Lake Level Assessment (Aobj 5320)	\$ 21,184.71
1107	Lake Level Assessment (Aobj 5330)	\$ 600.00
1108	Engineering Services	\$ 38,398.80
2020	University Project (Charles Nelson)	\$ 4,407.00
2020	University Project (Charles Nelson)	\$ 1,469.00
8914	LOTS Computer System Development	\$ 18,247.96
8914	Payroll, administration, and support for CGI	\$ 164,231.66
Total		\$ 255,035.45

MICHIGAN DEPARTMENT OF NATURAL RESOURCES
COST ALLOCATION PLAN
SUMMARY OF ALLOCATED ADMINISTRATIVE APPROPRIATIONS
FY 2007 / AY 2007 - DAFR 7480

<u>APPROPRIATION</u>	<u>CASH</u>	<u>ACCRUALS</u>	<u>ENCUMBRANCES</u>	<u>TOTAL</u>	<u>NON-ADMINISTRATIVE EXPENDITURES</u>	<u>FINAL AMOUNT ALLOCATED</u>
1001 - Executive Direction	1,737,838	4,654	-	1,742,493	-	1,742,493
1092 - Commission	66,676	1,482	-	68,158	-	68,158
1093 - Unclassified Salaries	408,166	390	-	408,556	-	408,556
2020 - Land and Facilities	13,919,200	268,033	98,723	14,285,956	10,044,718	4,241,238
1105 - Internal Audit	780,457	1,965	-	782,421	-	782,421
1106 - Budget and Support Services	922,923	105	-	923,028	-	923,028
1107 - Financial Services	2,050,805	48,625	-	2,099,430	-	2,099,430
1108 - Grants Management	1,026,452	2,647	-	1,029,100	-	1,029,100
1126 - Human Resources	2,016,203	1,826	-	2,018,029	-	2,018,029
1128 - Human Resources Optimization User Charge	158,700	-	-	158,700	-	158,700
1345 - Building Occupancy Charges	2,093,495	-	-	2,093,495	-	2,093,495
1346 - Rent - Privately Owned Property	390,087	36,302	-	426,389	-	426,389
8914 - Information Technology Services and Projects	8,185,639	727	300,000	8,486,366	-	8,486,366
TOTALS	33,756,642	366,755	398,723	34,522,120	10,044,718	24,477,403

MICHIGAN DEPARTMENT OF NATURAL RESOURCES COST ALLOCATION PROJECT
ADMINISTRATIVE FUNDING SOURCES - FY 06/07
SUMMARY OF RESULTS

FUND NAME	EXEC DIR 1001	COMM 1092	UNCLASS SAL 1093	OLAF 1104	INTERNAL AUDIT 1105	BUDGET 1106	FIN SVCS 1107	GRANTS 1108	HR 1126	HR OPT 1128	BLDG OCC 1345	RENT- PRIVATE 1346	INFO TECH 8914	TOTAL
AIRCRAFT	1,218	45	285	180	733	382	1,864	-	1,026	81	1,861	361	7,011	15,047
ALS-REV	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CERVIDAE LIC / INSP	634	24	149	100	348	414	769	-	473	37	1,039	95	4,190	8,272
CLEAN MICH	451	17	106	152	404	107	266	6,028	235	24	2,363	-	2,656	12,809
COMM-FOREST	332	13	78	43	290	112	662	-	241	19	429	91	1,978	4,288
F&G	470,579	17,536	110,406	1,569,307	155,430	211,000	383,526	42	367,183	29,388	567,680	170,779	2,225,133	6,277,989
F&G-DEER	14,928	557	3,501	141,749	9,109	15,346	24,631	-	11,171	877	28,539	2,168	97,190	349,766
F&G-SETTLE	3,777	141	886	401	858	1,839	2,376	-	3,080	247	2,514	1,884	14,281	32,284
F&G-TURKEY	7,993	297	1,875	55,624	4,545	6,705	11,385	-	5,957	467	15,558	1,156	52,144	163,706
F&G-WILDLIFE	7,533	281	1,768	834	2,343	2,747	4,320	-	5,147	414	6,592	2,875	32,851	67,705
F&G-WTRFWL LIC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F&G-WTRFWL MGT	788	29	185	133	404	490	916	-	582	46	1,487	111	5,153	10,324
FOREST-REC/CAMP	12,580	469	2,951	28,038	10,418	4,301	23,943	-	9,262	746	17,890	3,430	74,034	188,062
FOREST-DEV	217,886	8,124	51,116	925,268	184,907	77,254	427,302	-	162,758	13,011	288,010	61,207	1,288,236	3,705,079
FOREST-FIN AUTH	383	14	90	43	354	127	794	-	283	22	369	112	2,284	4,875
FOREST-USE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GEO-INFO	1	-	-	-	1	-	2	-	1	-	1	-	5	11
GIFT	116	4	27	-	329	912	1,461	-	-	-	-	-	-	2,849
HARBOR	1,433	53	336	224	295	421	873	-	3,058	237	1,268	88	5,254	13,540
HAVEN HILL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDG-ENGINEERS	12,953	483	3,039	4,667	3,610	3,887	12,783	-	12,645	1,002	24,788	4,170	71,407	155,434
IDG-LAND	1,231	46	289	216	343	369	1,215	-	1,202	95	2,355	396	6,785	14,542
IDG-MACMULLAN	9,094	339	2,133	1,597	2,531	2,728	8,963	-	8,882	704	17,422	2,925	50,116	107,434
L.E.F.F.	12,352	461	2,898	2,214	3,488	3,867	12,340	-	12,081	958	24,555	3,974	67,992	147,180
MARINE	14,445	538	3,390	154,453	5,168	18,988	15,639	25,371	9,728	786	14,526	5,247	63,323	331,602

EXHIBIT II

FUND NAME	EXEC DIR 1001	COMM 1092	UNCLASS SAL 1093	OLAF 1104	INTERNAL AUDIT 1105	BUDGET 1106	FIN SVCS 1107	GRANTS 1108	HR 1126	HR OPT 1128	BLDG OCC 1345	RENT- PRIVATE 1346	INFO TECH 8914	TOTAL
MCC ENDOWMENT	6,452	241	1,513	1,050	1,298	1,895	3,936	-	13,422	1,040	6,691	386	24,111	62,035
M.N.R.T.F.	16,251	606	3,813	4,038	23,853	54,772	84,381	617,444	10,021	885	58,466	2,361	94,162	971,053
NON-GAME WILD	3,944	147	925	695	2,033	2,511	4,644	-	2,925	231	7,949	559	25,733	52,296
OIL & GAS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ORV-TRAILS	15,431	575	3,620	43,660	7,690	14,384	20,040	3,878	13,658	1,082	13,568	4,704	72,614	214,904
PARK-ENDOWMENT	103,450	3,855	24,270	15,201	24,074	30,429	68,144	-	219,511	16,943	74,458	7,589	381,475	969,399
PARK-PRIVATE	-	-	-	-	1	14	7	-	-	-	-	-	-	22
PI-PARK IMPVMT	294,722	10,984	69,152	187,262	60,943	90,639	183,454	-	605,665	47,004	313,710	21,879	1,107,136	2,992,550
PITT-ROB	3,519	131	826	445	1,667	2,254	3,733	-	2,518	197	3,894	932	19,535	39,651
PRIVATE	3,335	124	782	456	1,465	1,748	3,731	-	5,351	413	2,774	467	15,323	35,969
PUBLIC REVENUE	2	-	-	1	-	-	1	-	1	-	10	-	11	26
PUBL USE & DEED	536	20	126	181	33	128	316	-	280	28	2,814	-	3,163	7,625
REC IMPROVEMENT	2,649	99	622	362	2,483	7,553	8,247	-	1,887	152	3,928	668	14,997	43,647
SAFETY EDUC	448	17	105	39	195	1,077	715	-	294	23	199	176	1,849	5,137
SIGN SHOP	34	1	8	5	27	11	64	-	24	2	52	9	203	440
SNOW-REG	9,438	353	2,215	32,156	3,112	7,742	7,560	5,269	6,254	505	8,343	3,509	41,176	127,632
SNOW-TRAILS	19,597	729	4,596	49,872	34,553	46,040	55,534	49,082	13,738	1,116	31,216	4,831	112,237	423,141
SPRTMN AGNST HGR	64	2	15	10	35	42	78	-	48	4	105	10	424	837
WATERWAYS	116,138	4,329	27,247	97,862	30,679	54,304	100,330	-	241,848	18,701	106,317	8,678	433,714	1,240,147
YTH HUNT & FISH ED	1,179	44	277	255	164	265	491	-	1,473	124	3,547	224	5,569	13,612
SPECIAL PROJECTS	1,107	3,254	-	5,876	-	2,135	21,785	38,399	-	-	-	-	182,480	255,036
GF/GP*	353,490	13,176	82,936	916,569	202,208	253,089	596,209	283,587	264,116	21,089	436,208	108,338	1,878,431	5,409,446
TOTAL	1,742,493	68,158	408,556	4,241,238	782,421	923,028	2,099,430	1,029,100	2,018,029	158,700	2,093,495	426,389	8,486,366	24,477,403

*GF/GP INCLUDES ALLOCATIONS TO ALL FEDERAL FUNDS AND DEQ